GARY SINISE FOUNDATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

(WITH COMPARATIVE TOTALS FOR 2013)

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rbz LLP
CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors of
GARY SINISE FOUNDATION AND SUBSIDIARY
Woodland Hills, California

We have audited the accompanying consolidated financial statements of Gary Sinise Foundation and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gary Sinise Foundation and Subsidiary as of December 31, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. GAAP.

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INDEPENDENT AUDITORS' REPORT (Continued)

Report on Summarized Comparative Information

We have previously audited Gary Sinise Foundation and Subsidiary's consolidated financial statements, and our report dated July 7, 2014, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

RBZ, LLP

July 13, 2015

THE GARY SINISE FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

ASSETS

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	$ 5,222,373	$ 4,802,873
Receivables	203,551	82,926
Receivable from settlement from outside organization	582,720	463,352
Grants receivable	1,825,000	-
Inventory	1,206,097	21,471
Investment-donated land	6,000	-
Prepaid expenses	37,268	35,342
Total Current Assets	9,083,009	5,405,964
Property and equipment - net	187,281	36,631
Deposits	14,315	22,815
TOTAL ASSETS	$ 9,284,605	$ 5,465,410

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES		
Equipment line of credit	$ 119,218	$ -
Accounts payable and accrued liabilities	182,861	108,160
Deferred income	141,726	217,517
Deferred rent	25,494	-
TOTAL LIABILITIES	469,299	325,677
COMMITMENTS (Note 6)		
NET ASSETS		
Unrestricted	3,925,627	2,310,200
Temporarily restricted	4,889,679	2,829,533
TOTAL NET ASSETS	8,815,306	5,139,733
TOTAL LIABILITIES AND NET ASSETS	$ 9,284,605	$ 5,465,410

See independent auditors' report and accompanying notes.

THE GARY SINISE FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	2014			
	Unrestricted	Temporarily Restricted	Total	2013
PUBLIC SUPPORT AND REVENUE				
Foundations	$ 720,771	$ 6,155,845	$ 6,876,616	$ 3,653,684
Individuals	2,171,921	1,251,417	3,423,338	2,599,530
Corporations	413,611	1,506,827	1,920,438	1,883,917
In-kind donations	2,380,055	-	2,380,055	-
Performances	570,728	-	570,728	649,400
Board contributions	525,000	-	525,000	375,000
In-direct public support	125,828	100,698	226,526	-
Merchandise sales	78,293	-	78,293	72,771
Interest	316	-	316	270
Total Support and Revenue	6,986,523	9,014,787	16,001,310	9,234,572
Net Assets Released from Restrictions:				
Restricted satisfied by payments	6,954,641	(6,954,641)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	13,941,164	2,060,146	16,001,310	9,234,572
FUNCTIONAL EXPENSES				
Program services	10,906,699	-	10,906,699	4,835,087
General and administrative	1,055,779	-	1,055,779	716,747
Fundraising	363,259	-	363,259	257,269
Total Functional Expenses	12,325,737	-	12,325,737	5,809,103
CHANGE IN NET ASSETS	1,615,427	2,060,146	3,675,573	3,425,469
BEGINNING NET ASSETS as of December 31, 2013	2,310,200	2,829,533	5,139,733	1,714,264
ENDING NET ASSETS as of December 31, 2014	$ 3,925,627	$ 4,889,679	$ 8,815,306	$ 5,139,733

See independent auditors' report and accompanying notes.

THE GARY SINISE FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	2014										
	Program Services						Supporting Services				
	Community Outreach and Education	Military Support Concerts	First Responders	Relief and Resiliency	R.I.S.E.	Total	Management and General	Fund Raising	Total	2014	2013
Salaries, payroll taxes and employee benefits	$ 194,244	$ 98,562	$ -	$ 177,056	$ 176,167	$ 646,029	$ 79,067	$ 52,477	$ 131,544	$ 777,573	$ 590,252
Accounting	-	-	-	-	-	-	144,000	-	144,000	144,000	139,002
Advertising and promotion	14,461	-	900	2,626	249	18,236	120,376	20,114	140,490	158,726	145,583
Commissions	-	29,500	-	-	-	29,500	-	-	-	29,500	40,500
Computer	11,013	5,562	-	10,053	9,960	36,588	4,486	2,997	7,483	44,071	37,609
Construction costs	-	-	-	-	6,579,641	6,579,641	-	-	-	6,579,641	1,968,123
Contributions	171,222	-	100,000	274,567	337,000	882,789	-	-	-	882,789	1,229,551
Depreciation and amortization	6,040	3,050	-	5,513	5,462	20,065	2,460	1,644	4,104	24,169	43,158
Equipment rental	13,339	1,505	-	208,582	42,899	266,325	4,787	18,650	23,437	289,762	235,762
Furnishings-in kind	-	-	-	-	574,799	574,799	-	-	-	574,799	-
Insurance	8,925	7,162	-	15,646	9,788	41,521	3,636	2,429	6,065	47,586	9,616
Legal	-	23,419	-	-	440,021	463,440	320,976	-	320,976	784,416	150,570
Merchandise cost	-	1,145	-	-	-	1,145	63,867	1,900	65,767	66,912	36,385
Merchant fees	2,861	1,549	-	1,650	6,041	12,101	33,864	2,287	36,151	48,252	36,791
Miscellaneous	19,505	9,850	-	17,804	17,640	64,799	13,986	5,308	19,294	84,093	12,412
Outside services	83,346	262,950	-	171,767	206,875	724,938	154,332	188,828	343,160	1,068,098	653,533
Postage	11,460	5,652	-	11,023	10,613	38,748	4,553	3,957	8,510	47,258	42,839
Printing	6,345	2,718	-	11,341	6,079	26,483	1,920	12,146	14,066	40,549	15,370
Rents	34,841	16,156	-	29,200	28,931	109,128	13,032	12,005	25,037	134,165	108,626
Repairs and maintenance	1,002	506	-	915	906	3,329	408	273	681	4,010	-
Supplies	16,533	13,130	-	45,241	15,379	90,283	6,707	11,523	18,230	108,513	121,218
Taxes and licenses	1,678	1,647	-	1,531	1,517	6,373	683	457	1,140	7,513	3,239
Telephone	2,836	1,432	-	2,588	2,565	9,421	1,155	772	1,927	11,348	6,657
Travel and entertainment	21,580	79,865	-	94,525	57,316	253,286	31,781	24,810	56,591	309,877	131,572
Website	2,267	1,345	-	2,070	2,050	7,732	49,703	682	50,385	58,117	50,735
TOTAL EXPENSES	$ 623,498	$ 566,705	$ 100,900	$ 1,083,698	$ 8,531,898	$ 10,906,699	$ 1,055,779	$ 363,259	$ 1,419,038	$ 12,325,737	$ 5,809,103

See independent auditors' report and accompanying notes.

THE GARY SINISE FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ 3,675,573	$ 3,425,469
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	24,169	43,158
Donated inventory	(1,175,628)	-
Donated land	(6,000)	-
(Increase) decrease in operating assets		
Grants receivable	(1,825,000)	375,000
Accounts receivable	(120,625)	(82,926)
Receivable from outside organization, net	(119,368)	(463,352)
Inventory	(8,998)	(7,157)
Prepaid expenses	(1,926)	(35,342)
Deposits	8,500	(13,984)
Increase (decrease) in operating liabilities		
Accounts payable and accrued liabilities	74,701	72,247
Deferred rent	25,494	
Deferred income	(75,791)	(32,483)
Cash provided by operating activites	475,101	3,280,630
Cash flows from investing activities		
Capital expenditures	(174,819)	(25,947)
Cash flows from financing activities		
Advances on equipment line of credit	140,932	-
Principal payments on equipment line of credit	(21,714)	-
Cash provided by financing activities	119,218	-
Increase in cash	419,500	3,254,683
Cash and cash equivalents, beginning of year	4,802,873	1,548,190
Cash and cash equivalents, end of year	$ 5,222,373	$ 4,802,873

See independent auditors' report and accompanying notes.

NOTE 1 – NATURE OF OPERATIONS

Gary Sinise Foundation ("GSF") (a Delaware nonprofit corporation) was formed in October 2010 with a mission to serve America by honoring its defenders, veterans, first responders, their families and those in need. GSF does this by creating and supporting unique programs designed to entertain, educate, inspire, strengthen and build communities.

GSF believes the ramifications of war leave an indelible impact on all service members. It furthermore believes it is the individual responsibility of each citizen to support America's defenders. GSF is committed to ensuring the sacrifices made by all of our nation's heroes are honored and remembered.

R.I.S.E. (Restoring Independence and Supporting Empowerment) provides wounded heroes and their families with the resources necessary to overcome their new life challenges. Through home modifications, adapted vehicles, wheelchairs/trackchairs or constructing custom Smart Homes, GSF is helping our wounded heroes increase their mobility and reclaim their self-reliance.

By establishing its *Relief and Resiliency Outreach* program, GSF is providing complete support to military and first-responder families recovering from trauma and loss during times of urgent need. GSF is also hosting day-long *Invincible Spirit Festivals* at America's military hospitals to boost the morale and spirits of the patients, families and staff.

Through *Serving Heroes*, GSF is showing its appreciation by serving hearty, classic American meals to our defenders across the country. With the expansion of its *Arts and Entertainment Outreach* program, GSF now offers free dinner and performances to local veterans at the Steppenwolf Theatre in Chicago and the Geffen Playhouse in Los Angeles.

Gary Sinise and the Lt. Dan Band continue to bring their exhilarating performances to our nation's service members and their families across the world. Whether boosting morale on military bases at home and abroad or raising awareness and funding through benefit concerts, the band entertains, educates, inspires and builds communities with its explosive live show. The Lt. Dan Band ("LDB") (a Delaware limited liability company) is wholly owned by GSF and was formed in March 2011. Its proceeds help support GSF's mission.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of GSF and LDB (collectively referred to as the "Organization"). All significant intercompany transactions and balances have been eliminated in consolidation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Status

GSF is a nonprofit public benefit corporation organized under the laws of Delaware and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding state provisions.

LDB is a limited liability company that is taxed as a partnership under the Internal Revenue Code. Under those provisions, LDB does not pay federal taxes on its taxable income. Instead, the member reports its respective share of LDB's taxable income. However, LDB is subject to a California state income tax as well as other state and tax jurisdictions. For California income tax purposes, a limited liability company is required to pay a fee based on its gross receipts as defined, plus $800 annually.

The Organization's federal income tax and informational returns for tax years ending December 31, 2011 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, the Organization's most significant jurisdiction, remain subject to examination by the California Franchise Tax Board for tax years ending December 31, 2010 and subsequent.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted General Net Assets – Include contributions, fundraising, fees and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the Organization.

Temporarily Restricted Net Assets – Include gifts and grants received that are temporarily restricted with respect to time or use by the donor or grantor. When the restrictions expire, the net assets of this fund are reclassified to unrestricted net assets. Restricted gifts and grants received are reported as unrestricted revenue if the restriction is met in the same reporting period.

Permanently Restricted Net Assets – Included assets that have been restricted by the donor in perpetuity and cannot be expended by the Organization. There were no permanently restricted net assets as of December 31, 2014.

Cash and Cash Equivalents

For the purpose of the financial statement, the Organization considers all investments purchased with a maturity date of three months or less to be cash equivalents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Grants Receivable

All amounts included in grants receivable are expected to be collected in the next year.

Receivables

Receivables consist of credit card remittances that have been processed but not yet received.

Inventory

Inventory consists of t-shirts and other concert merchandise of $30,469 and is stated at the lower of cost or market on a first-in, first-out basis. Inventory also consists of donated funiture for the furnishing of SMART/Building for America's Bravest home as they are built. It is valued at it's fair market value at time of donation.

Property and Equipment

Purchases of property and equipment are recorded at cost. Donated items are recorded at fair value when received. Depreciation and amortization on both purchased and donated items are recorded using the straight-line method over the shorter of the estimated useful life of the related asset as follows:

Furniture and office equipment	3-7 years
Computer equipment	3 years
Website	3 years
Leasehold improvements	10 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Impairment of Long-Live Assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, but at least annually. No impairment provision was recorded by the Organization during the year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Income

Deferred income consists of a $250,000 grant from an appliance company that is restricted solely for purchases of their appliance brand in Smart Homes. As appliances are purchased the liability is reduced. As of December 31, 2014 total purchases of appliances was $108,274 resulting in a remaining balance of $141,726.

Performance Revenues

Revenues from Lt. Dan Band performances are recognized upon receipt, which is generally on the date of the performance.

In-Kind Donations

In-kind donations consist of contributed assets and contributed services.

Contributed assets are recognized at the asset's fair value on the date of contribution.

Contributed services are recognized if the services received; a) create or enhance long-lived assets or b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The amounts recognized as in-kind donations are as follows:

Donated inventory	$ 1,175,628
Donated land	6,000
Donated services and materials	1,198,427
Total in-kind donations	$ 2,380,055

Contributions

Contributions consist primarily of donations from foundations, businesses and the general public. Contributions are accrued when committed to the Organization by the donor.

Concentration of Risk

Occasionally the Organization's cash balances exceed FDIC-insured limits. The Organization has not experienced and does not anticipate any losses related to these balances.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated accordingly.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Subsequent Events

The Organization has evaluated events subsequent to December 31, 2014, to assess the need for potential recognition or disclosure in the consolidated financial statements. Such events were evaluated through July 13, 2015, the date the consolidated financial statements were available to be issued and are addressed Notes 3 and 5.

NOTE 3 - RECEIVABLE FROM SETTLEMENT WITH OUTSIDE ORGANIZATION

In June 2014 the Organization entered into an agreement with another nonprofit organization in relation to the Smart Home program. Under the agreement, the Organization assumed responsibility for 14 Smart Homes, and the other nonprofit assumed responsibility for 7 Smart Homes. Under the agreement, funds recevied by either organization for the benefit of Smart Homes for which it is not responsible are to be transferred to the other organization.

In April 2015, the Organization entered into an agreement that modified the original agreement. Under the new agreement, the Organization and the other nonprofit agreed to apply certain offsets of funds they were holding and grant money they expected to receive for certain Smart Homes once completed.

All agreements noted above have been included within the accompanying consolidated financial statements.

GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Furniture and office equipment	$	50,283
Computer equipment		92,324
Leasehold improvements		78,057
Website		111,410
		332,074
Accumulated depreciation and amortization		(144,793)
Net property and equipment	$	187,281

NOTE 5 - EQUIPMENT LINE OF CREDIT

In March 2014 the Organization entered into a $300,000 line of credit with a bank. The line bears annual interest at 4.15% and is payable in six monthly interest only payments commencing April 2014 followed by 42 installments of principal and interest maturing March 2018. The loan is secured by substantially all assets of the Organization and is subject to certain financial covenants.

The balance of $119,218 was paid off in February 2015.

NOTE 6 - COMMITMENTS

<u>Smart Home Construction</u>
The Organization is committed to building 18 Smart Homes. The total budgeted cost of those Smart Homes total $14,774,467; as of December 31, 2014 the Organization has expended $3,429,363, resulting in a net commitment of $11,345,104.

<u>Leases</u>
The Organization's offices are leased under an operating lease that expired in March 2014. In November 2013, the Organization entered into an operating lease for new offices that commenced April 2014 and expires August 2020.

The scheduled minimum lease payments under the lease terms are as follows:

Year Ending December 31,		
2015	$	131,642
2016		135,592
2017		139,659
2018		157,031
2019		161,742
2020		111,878
	$	837,544

Total rent expense was $134,165 in 2014.

NOTE 7 - RELATED PARTIES

The founder of the Organization donated $525,000 during the year ended December 31, 2014, to underwrite the operating costs of the Organization. The founder also does not receive any salary or other form of compensation from the Organization.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of December 31, 2014:

	Beginning Balance	Contributions	Net assets Released	Ending Balance
Smart Homes and Building for America's Bravest	$ 2,829,533	$ 8,514,787	$ (6,579,641)	$ 4,764,679
General support	-	500,000	(375,000)	125,000
Totals	$ 2,829,533	$ 9,014,787	$ (6,954,641)	$ 4,889,679